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SENATE BILL 5511

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State of Washington                      52nd Legislature                      1991 Regular Session

By Senators von Reichbauer, Johnson and Rasmussen.

Read first time February 4, 1991. Referred to Committee on Financial Institutions & Insurance.

1            AN ACT Relating to contracts with insurance agents; and adding a  
2 new section to chapter 48.18 RCW.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            NEW SECTION.    **Sec. 1.** A new section is added to chapter 48.18 RCW  
5 to read as follows:

6            (1) No insurer authorized to do business in this state may, based  
7 solely on the loss ratio experience on an agent's book of business,  
8 cancel a written contract with the agent or reduce or restrict the  
9 agent's underwriting authority with respect to property or casualty  
10 insurance without the agent's written approval at the time of the  
11 reduction or restriction, if the following conditions have been met:

12            (a) The insurer required the agent to submit the application for  
13 underwriting approval;

1 (b) All material information on the application was fully  
2 completed; and

3 (c) The agent has not omitted or altered any information provided  
4 by the applicant.

5 (2) For purposes of this section the following definitions apply:

6 (a) "Loss ratio experience" means the ratio of premiums paid  
7 divided by the claims paid during the previous two-year period.

8 (b) "Agent" is a licensed insurance agent who writes eighty percent  
9 or more of his or her gross annual insurance premiums for one company  
10 or its subsidiaries and is not in the direct employ of the company.